



TXU Business Services  
1601 Bryan Street  
Dallas, TX 75201-3411  
Tel: 214 812 3863

Autry L. Warren  
Rates Manager

October 11, 2001

City of College Station

Re: Agreement to Settle TXU Gas Distribution Rate Case

Dear Mr. Charlie Shear

Please accept this letter as confirmation that TXU Gas Distribution has agreed to a settlement with the City of College Station regarding the distribution rate case that was filed with the City on May 31, 2001. The settlement agreement calls for the City to approve rates that are designed to produce annual revenue as detailed below:

<b>Impact of Rate Filing</b>	<b>As Originally Filed</b>	<b>Per Settlement</b>
Residential Revenue	\$ 804,761 or 23.87%	\$ 490,577 or 14.55%
Commercial Revenue	\$ 386,224 or 16.79%	\$ 596,922 or 24.35%
Industrial/Transport Revenue	\$1,141,521 or 703.52%	\$1,149,931 or 708.70%
Service Charges	(\$ 6,149) or -6.91%	(\$ 6,133) or -6.90%
<b>Total Revenue</b>	<b>\$2,326,358 or 39.27%</b>	<b>\$2,231,296 or 36.74%</b>

This letter also confirms that as part of the agreement reached with the City of College Station, the Company will agree to implement the residential rate increase over a two-year period. Upon approval of this settlement by the City of College Station, the Company will implement residential rates structured to recover a 10% increase over present residential revenue and a 12.18% over present commercial revenue. On October 1, 2002, the Company will implement adjusted residential and commercial rates in order to recover the remaining 4.55% of the total residential increase and the remaining 12.17% of the total commercial increase approved by the City.

Based on conversations that we have had with your attorney in this matter, Geoffrey Gay, we anticipate that your City will approve the settlement at its October 25, 2001 council meeting. Mr. Gay has also told us that he will be providing you with a rate ordinance and the applicable tariffs that reflect the settlement within the next couple of days.

Please do not hesitate to contact me if you have any questions.

Thank you.

A handwritten signature in cursive script that reads "Autry Warren".  
Autry Warren